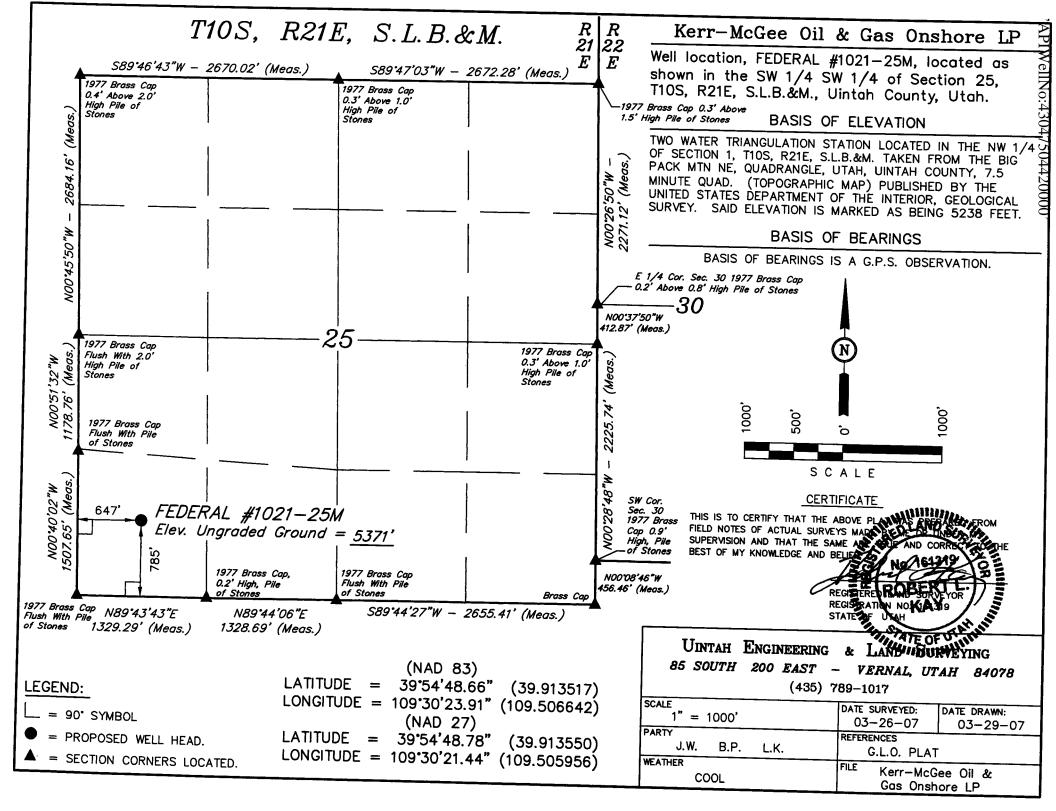
STATE OF UTAH DEPARTMENT OF NATURAL RESOURCES DIVISION OF OIL, GAS AND MINING							FORI	_		
APPLICATION FOR PERMIT TO DRILL							1. WELL NAME and NUMBER Federal 1021-25M			
2. TYPE OF WORK DRILL NEW WELL (REENTER P8	BA WELL (DEEPE	N WELL	.(ii)			3. FIELD OR WILDO	AT NATURAL BUTTES		
4. TYPE OF WELL Gas We	ell Coalb	ped Methane Well: NO					5. UNIT or COMMU	NITIZATION AGRE	EMENT NAME	
6. NAME OF OPERATOR KERF	-MCGEE OIL & (GAS ONSHORE, L.P.					7. OPERATOR PHON	IE 307-752-1169		
8. ADDRESS OF OPERATOR P.O	. Box 173779, Г	Denver, CO, 80217					9. OPERATOR E-MA Laura.(IL Gianakos@anadarko.	com	
10. MINERAL LEASE NUMBER (FEDERAL, INDIAN, OR STATE) UTU 02277C		11. MINERAL OWNE FEDERAL INC	RSHIP DIAN (0	FEE (12. SURFACE OWNE FEDERAL INI	ERSHIP DIAN () STATE (FEE (
13. NAME OF SURFACE OWNER (if box 12	= 'fee')						14. SURFACE OWNE	R PHONE (if box 1	2 = 'fee')	
15. ADDRESS OF SURFACE OWNER (if box	12 = 'fee')						16. SURFACE OWNE	R E-MAIL (if box 1	.2 = 'fee')	
17. INDIAN ALLOTTEE OR TRIBE NAME		18. INTEND TO COM		LE PRODUCT	ION F	ROM	19. SLANT			
(if box 12 = 'INDIAN')				gling Applicat	ion)	№ 💮	VERTICAL 📵 DIR	ECTIONAL 🗍 HO	ORIZONTAL (
20. LOCATION OF WELL	FC	OOTAGES	Q1	rr-qtr	s	ECTION	TOWNSHIP	RANGE	MERIDIAN	
LOCATION AT SURFACE	785 F	SL 647 FWL	9	swsw		25	10.0 S	21.0 E	S	
Top of Uppermost Producing Zone	785 F	SL 647 FWL	9	swsw		25	10.0 S	21.0 E	S	
At Total Depth	785 F	SL 647 FWL SI		swsw	SW 25		10.0 S	21.0 E	S	
21. COUNTY UINTAH		22. DISTANCE TO N		T LEASE LIN 47	E (Fe	et)	23. NUMBER OF ACRES IN DRILLING UNIT			
		25. DISTANCE TO N (Applied For Drilling	g or Co		AME I	POOL	26. PROPOSED DEPTH MD: 8810 TVD: 8810			
27. ELEVATION - GROUND LEVEL 5371		28. BOND NUMBER	WYB0	29. SOURCE OF DRILLING WATER / WATER RIGHTS APPROVAL NUMBER IF APPLIC Permit #43-8496			F APPLICABLE			
		A.	TTACH	IMENTS						
VERIFY THE FOLLOWING	ARE ATTACH	IED IN ACCORDAN	CE W	ITH THE UT	ГАН (OIL AND G	AS CONSERVATI	ON GENERAL RU	ILES	
WELL PLAT OR MAP PREPARED BY	LICENSED SUF	RVEYOR OR ENGINEE	R	сом	COMPLETE DRILLING PLAN					
AFFIDAVIT OF STATUS OF SURFACE	OWNER AGRE	EEMENT (IF FEE SURF	ACE)	FORM 5. IF OPERATOR IS OTHER THAN THE LEASE OWNER						
DIRECTIONAL SURVEY PLAN (IF DI	RECTIONALLY	OR HORIZONTALLY		№ торо	GRAF	PHICAL MAR	•			
NAME Danielle Piernot TITLE Regulatory Analyst				PHONE 720 929-6156						
SIGNATURE DATE 05/21/2009						EMAIL gnl	oregulatory@anadarko	.com		
API NUMBER ASSIGNED 43047504420000	A	APPROVAL				bol	Rejill			
Pe				Pern	Permit Manager					

API Well No: 43047504420000 Received: 5/21/2009

Proposed Hole, Casing, and Cement								
String	Hole Size	Casing Size	Top (MD)	Bottom (MD)				
Prod	7.875	4.5	0	8810				
Pipe	Grade	Length	Weight					
	Grade I-80 LT&C	8810	11.6					

API Well No: 43047504420000 Received: 5/21/2009

Proposed Hole, Casing, and Cement								
String	Hole Size	Casing Size	Top (MD)	Bottom (MD)				
Surf	12.25	9.625	0	1900		Γ		
Pipe	Grade	Length	Weight			Γ		
	Grade J-55 LT&C	1900	36.0			Γ		
						Г		



Federal 1021-25M

Surface: 785' FSL, 647' FWL (SW/4SW/4) Sec. 25 T10S R21E

> Uintah, Utah Mineral Lease: UTU 02277C

ONSHORE ORDER NO. 1

DRILLING PROGRAM

An APD for this location was originally approved on August 27, 2007 and was given API 43-047-39576. Kerr-McGee Oil & Gas Onshore, LP rescinded the APD for this location, however Kerr-McGee respectfully requests a new APD for this location due to a revised drilling schedule in this area. A Cultural Resource report (report number MOAC 06-679) and a Paleo Report (report number IPC 07-78) were submitted and reviewed with the original APD.

1. – 2. <u>Estimated Tops of Important Geologic Markers</u>: Estimated Depths of Anticipated Water, Oil, Gas, or Mineral Formations:

<u>Formation</u>	<u>Depth</u>	Resource
Uinta Green River	0 – Surface 952'	
Birds Nest	1,282'	Water
Mahogany	1,607'	Water
Wasatch	4,098'	Gas
Mesaverde	6,705'	Gas
MVU2	7,684'	Gas
MVL1	8,300'	Gas
TD	8,810'	

3. <u>Pressure Control Equipment</u> (Schematic Attached)

Please refer to the attached Drilling Program.

4. Proposed Casing & Cementing Program:

Please refer to the attached Drilling Program.

5. <u>Drilling Fluids Program</u>:

Please refer to the attached Drilling Program.

6. Evaluation Program:

Please refer to the attached Drilling Program.

7. Abnormal Conditions:

Maximum anticipated bottomhole pressure calculated at 8,810' TD, approximately equals 5,260 psi (calculated at 0.6 psi/foot).

Maximum anticipated surface pressure equals approximately 3,322 psi (bottomhole pressure minus the pressure of a partially evacuated hole calculated at 0.22 psi/foot).

8. Anticipated Starting Dates:

Drilling is planned to commence immediately upon approval of this application.

9. <u>Variances:</u>

Please refer to the attached Drilling Program.

Onshore Order #2 – Air Drilling Variance

Kerr-McGee Oil & Gas Onshore LP (KMG) respectfully requests a variance to several requirements associated with air drilling outlined in Onshore Order 2

- Blowout Prevention Equipment (BOPE) requirements;
- Mud program requirements; and
- Special drilling operation (surface equipment placement) requirements associated with air drilling.

This Standard Operating Practices addendum provides supporting information as to why KMG current air drilling practices for constructing the surface casing hole should be granted a variance to Onshore Order 2 air drilling requirements.

The reader should note that the air rig is used only to construct a stable surface casing hole through a historically difficult lost circulation zone. A conventional rotary rig follows the air rig, and is used to drill and construct the majority of the wellbore.

More notable, KMG has used the air rig layout and procedures outlined below to drill the surface casing hole in approximately 675 wells without incident of blow out or loss of life.

Background

In a typical well, KMG utilizes an air rig for drilling the surface casing hole, an interval from the surface to surface casing depths, which varies in depth from 1,700 to 2,800 feet. The air rig drilling operation does not drill through productive or over pressured formations in KMG field, but does penetrate the Uinta and Green River Formations. The purpose of the air drilling operation is to overcome the severe loss circulation zone in the Green River known as the Bird's Nest while creating a stable hole for the surface casing. The surface casing hole is generally drilled to approximately 500 feet below the Bird's Nest.

Before the surface air rig is mobilized, a rathole rig is utilized to set and cement conductor pipe through a competent surface formation. Generally, the conductor is set at 40 feet. In some cases, conductor may be set deeper in areas that the surface formation is not found competent. This rig also drills the rat and mouse holes in preparation for the surface casing and production string drilling operations.

The air rig is then mobilized to drill the surface casing hole by drilling a 12-1/4 inch hole to just above the Bird's Nest interval with an air hammer. The hammer is then tripped and replaced with a 12-1/4 inch tri-cone bit. The tri-cone bit is used to drill to the surface casing point, approximately 500 feet below the loss circulation zone (Bird's Nest). The 9-5/8 inch surface casing is then run and cemented in place, thereby isolating the lost circulation zone. KMG fully appreciates Onshore Order 2 well control and safety requirements associated with a typical air drilling operations. However, the requirements of Onshore Order 2 are excessive with respect to the air rig layout and drilling operation procedures that are currently in practice to drill and control the surface casing hole in KMG Fields.

Variance for BOPE Requirements

The air rig operation utilizes a properly lubricated and maintained air bowl diverter system which diverts the drilling returns to a six-inch blooie line. The air bowl is the only piece of BOPE equipment which is installed during drilling operations and is sufficient to contain the air returns associated with this drilling operation. As was discussed earlier, the drilling of the surface hole does not encounter any over pressured or productive zones, and as a result standard BOPE equipment should not be required. In addition, standard drilling practices do not support the use of BOPE on 40 feet of conductor pipe.

Variance for Mud Material Requirements

Onshore Order 2 also states that sufficient quantities of mud materials shall be maintained or readily accessible for the purpose of assuring adequate well control. Once again, the surface hole drilling operations does not encounter over pressured or productive intervals, and as a result there is not a need to control pressure in the surface hole with a mud system. Instead of mud, the air rigs utilize water from the reserve pit for well control, if necessary. A skid pump which is located near the reserve pit (see attachment) will supply the water to the well bore.

Variance for Special Drilling Operation (surface equipment placement) Requirements Onshore Order 2 requires specific safety distances or setbacks for the placement of associated standard air drilling equipment, wellbore, and reserve pits. The air rigs used to drill the surface holes are not typical of an air rig used to drill a producing hole in other parts of the US. These are smaller in nature and designed to fit a KMG location. The typical air rig layout for drilling surface hole in the field is attached.

Typically the blooie line discharge point is required to be 100 feet from the well bore. In the case of a KMG well, the reserve pit is only 45 feet from the rig and is used for the drill cuttings. The blooie line, which transports the drill cuttings from the well to the reserve pit, subsequently discharges only 45 feet from the well bore.

Typically the air rig compressors are required to be located in the opposite direction from the blooie line and a minimum of 100 feet from the well bore. At the KMG locations, the air rig compressors are approximately 40 feet from the well bore and approximately 60 feet from the blooie line discharge due to the unique air rig design. The air compressors (see attachment) are located on the rig (1250 cfm) and on a standby trailer (1170 cfm). A booster sits between the two compressors and boosts the output from 350 psi to 2000 psi. The design does put the booster and standby compressor opposite from the blooie line.

Lastly, Onshore Order 2 addresses the need for an automatic igniter or continuous pilot light on the blooie line. The air rig does not utilize an igniter as the surface hole drilling operation does not encounter productive formations.

Conclusion

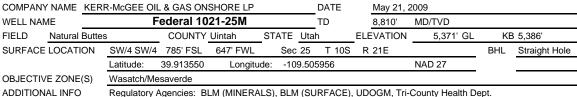
The air rig operating procedures and the attached air rig layout have effectively maintained well control while drilling the surface holes in KMG Fields. KMG respectfully requests a variance from Onshore Order 2 with respect to air drilling well control requirements as discussed above.

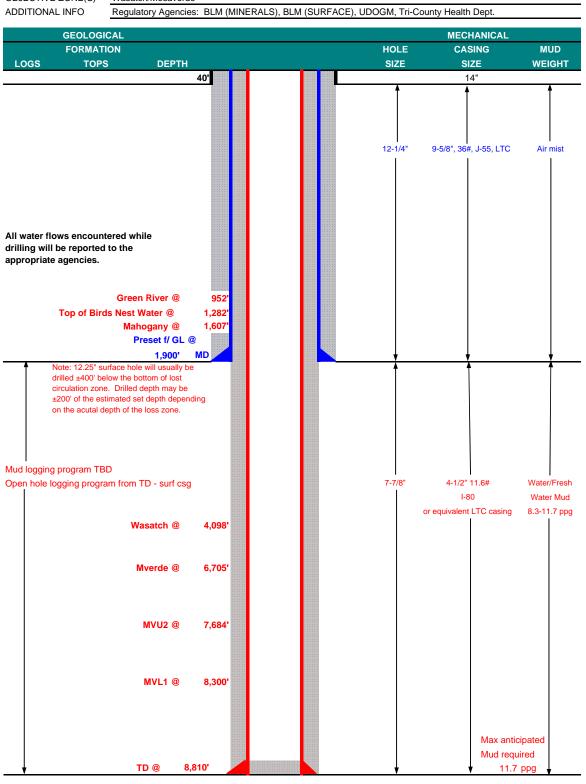
10. Other Information:

Please refer to the attached Drilling Program.



KERR-McGEE OIL & GAS ONSHORE LP DRILLING PROGRAM







KERR-McGEE OIL & GAS ONSHORE LP

DRILLING PROGRAM

CASING PROGRAM

								l l	DESIGN FACT	ORS
	SIZE	IN	ΓERVA	L	WT.	GR.	CPLG.	BURST	COLLAPSE	TENSION
CONDUCTOR	14"		0-40'							
								3,520	2,020	453,000
SURFACE	9-5/8"	0	to	1900	36.00	J-55	LTC	1.03*	2.27	6.62
								7,780	6,350	201,000
PRODUCTION	4-1/2"	0	to	8810	11.60	I-80	LTC	2.27	1.18	2.40

*Burst on suface casing is controlled by fracture gradient as shoe with gas gradient above.

- 1) Max Anticipated Surf. Press.(MASP) (Surf Csg) = (Pore Pressure at next csg point-(0.22 psi/ft-partial evac grad x TVD of next csg point))
- 2) MASP (Prod Casing) = Pore Pressure at TD (0.22 psi/ft-partial evac gradient x TD)

0.22 psi/ft = gradient for partially evac wellbore (Burst Assumptions: TD = 11.7

(Collapse Assumption: Fully Evacuated Casing, Max MW)

(Tension Assumptions: Air Weight of Casing*Buoy.Fact. of water)

3,322 psi

3) Maximum Anticipated Bottom Hole Pressure (MABHP) = Pore Pressure at TD

(Burst Assumptions: TD = 11.7 ppg) 0.6 psi/ft = bottomhole gradient

(Collapse Assumption: Fully Evacuated Casing, Max MW) (Tension Assumptions: Air Weight of Casing*Buoy.Fact. of water)

MABHP

CEMENT PROGRAM

	FT. OF FILL	DESCRIPTION	SACKS	EXCESS	WEIGHT	YIELD
SURFACE LEAD	500	Premium cmt + 2% CaCl	215	60%	15.60	1.18
Option 1		+ .25 pps flocele				
TOP OUT CMT (1)	200	20 gals sodium silicate + Premium cmt	50		15.60	1.18
		+ 2% CaCl + .25 pps flocele				
TOP OUT CMT (2)	as required	Premium cmt + 2% CaCl	as req.		15.60	1.18
SURFACE		NOTE: If well will circulate water to sur	face, optic	on 2 will be	utilized	
Option 2 LEAD	1500	Prem cmt + 16% Gel + 10 pps gilsonite	170	35%	11.00	3.82
		+.25 pps Flocele + 3% salt BWOC				
TAIL	500	Premium cmt + 2% CaCl	180	35%	15.60	1.18
		+ .25 pps flocele				
TOP OUT CMT	as required	Premium cmt + 2% CaCl	as req.		15.60	1.18
PRODUCTION LEAD	3,590'	Premium Lite II + 0.25 pps celloflake +	350	40%	11.00	3.38
		5 pps gilsonite + 10% gel '+ 1% Retarder				
TAIL	5,220'	50/50 Poz/G + 10% salt + 2% gel	1280	40%	14.30	1.31
		+.1% R-3				

^{*}Substitute caliper hole volume plus 0% excess for LEAD if accurate caliper is obtained

FLOAT EQUIPMENT & CENTRALIZERS

SURFACE

Guide shoe, 1 jt, insert float. Centralize first 3 joints with bow spring centralizers. Thread lock guide shoe.

PRODUCTION

Float shoe, 1 jt, float collar. Centralize first 3 joints & every third joint to top of tail cement with bow spring centralizers.

ADDITIONAL INFORMATION

Test casing head to 750 psi after installing. Test surface casing to 1,500 psi prior to drilling out.

BOPE: 11" 5M with one annular and 2 rams. The BOPE will be installed before the production hole is drilled and tested to 5,000 psi (annular to 2,500 psi) prior to drilling out the surface casing shoe. Record on chart recorder and tour sheet. Function test rams on each trip. Maintain safety valve and inside BOP on rig floor at all times. Most rigs have top drives; however, if used, the Kelly is to be equipped with upper and lower kelly valves.

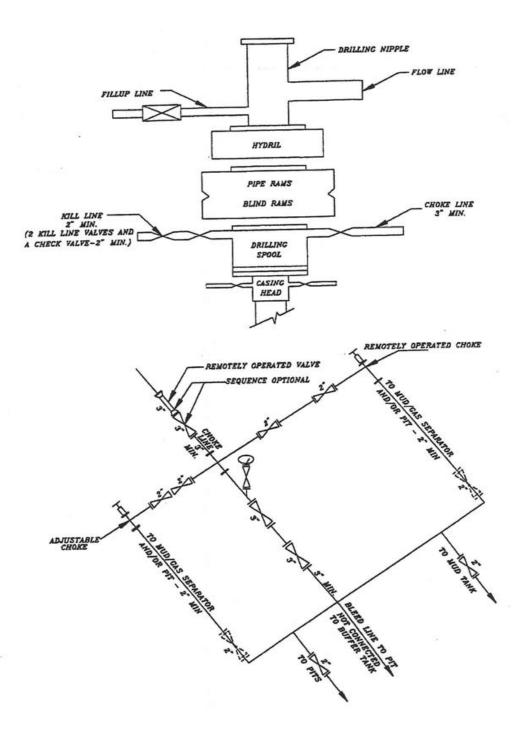
Drop Totco surveys every 2000'. Maximum allowable hole angle is 5 degrees.

Most rigs have PVT Systems for mud monitoring. If no PVT is available, visual monitoring will be utilized.

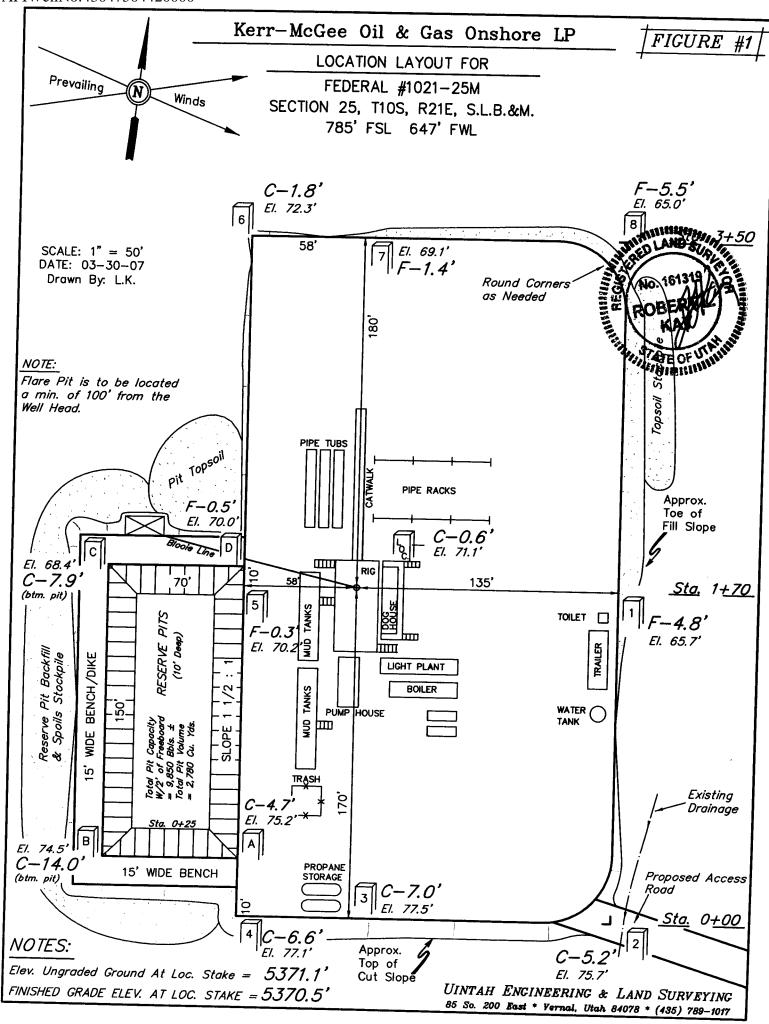
DRILLING ENGINEER:		DATE:
	John Huycke / Grant Schluender	·
DRILLING SUPERINTENDENT:		DATE:
	John Merkel / Lover Young 1021-25M Drilling Diagram.xls	

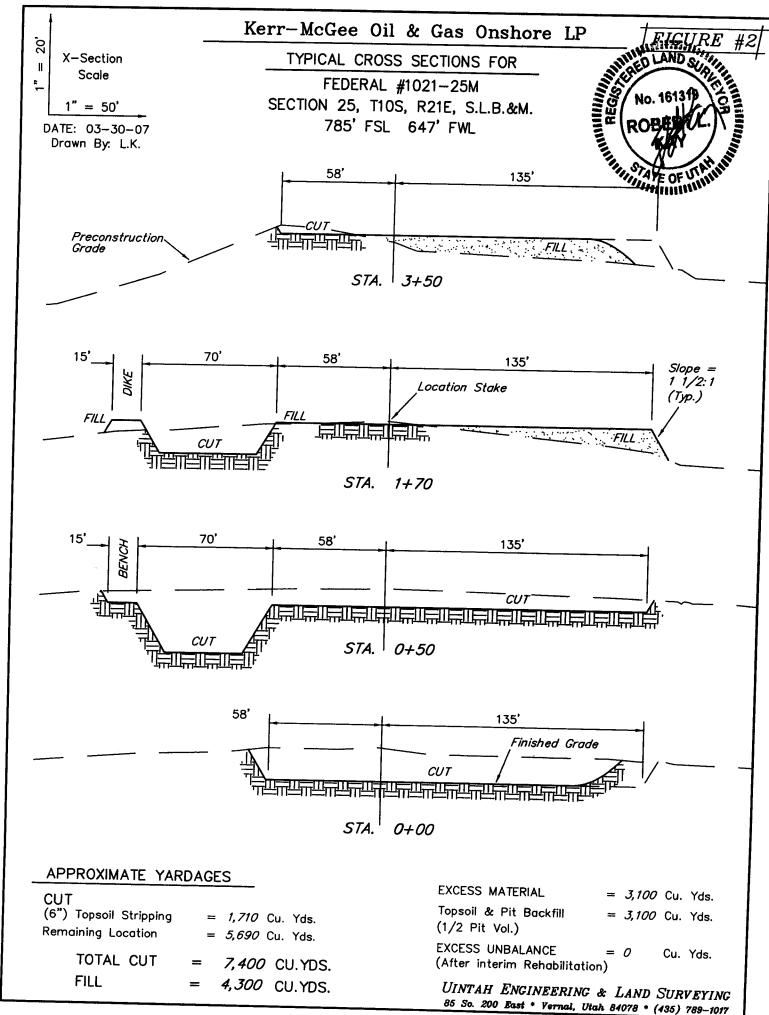
^{*}Substitute caliper hole volume plus 10% excess for TAIL if accurate caliper is obtained

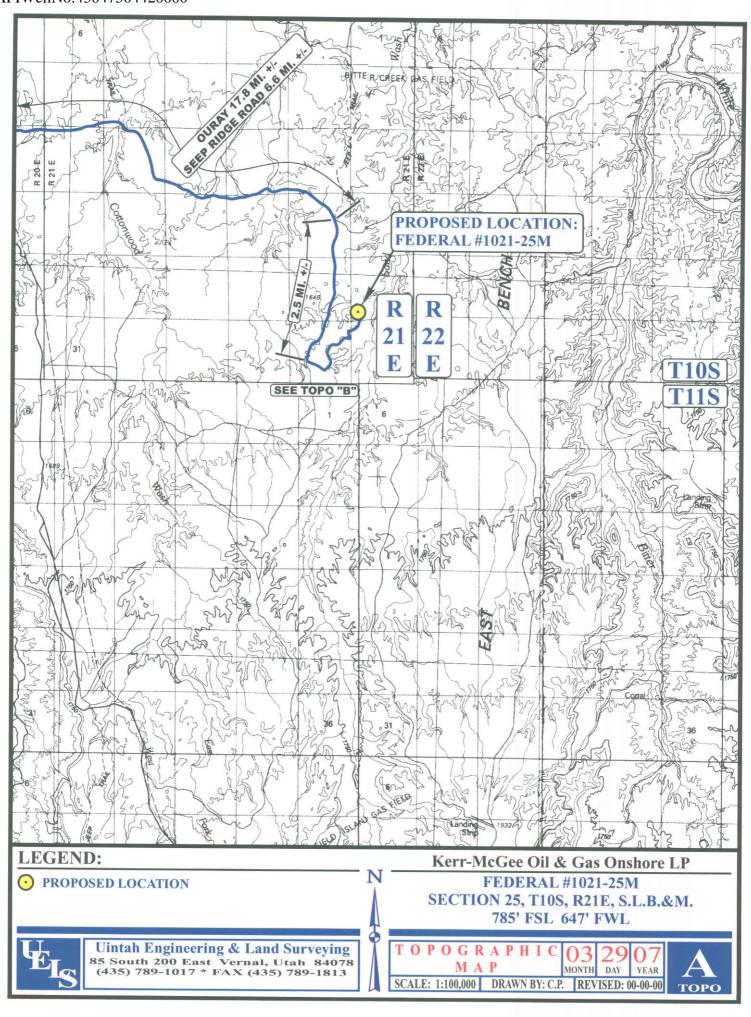
EXHIBIT A Federal 1021-25M

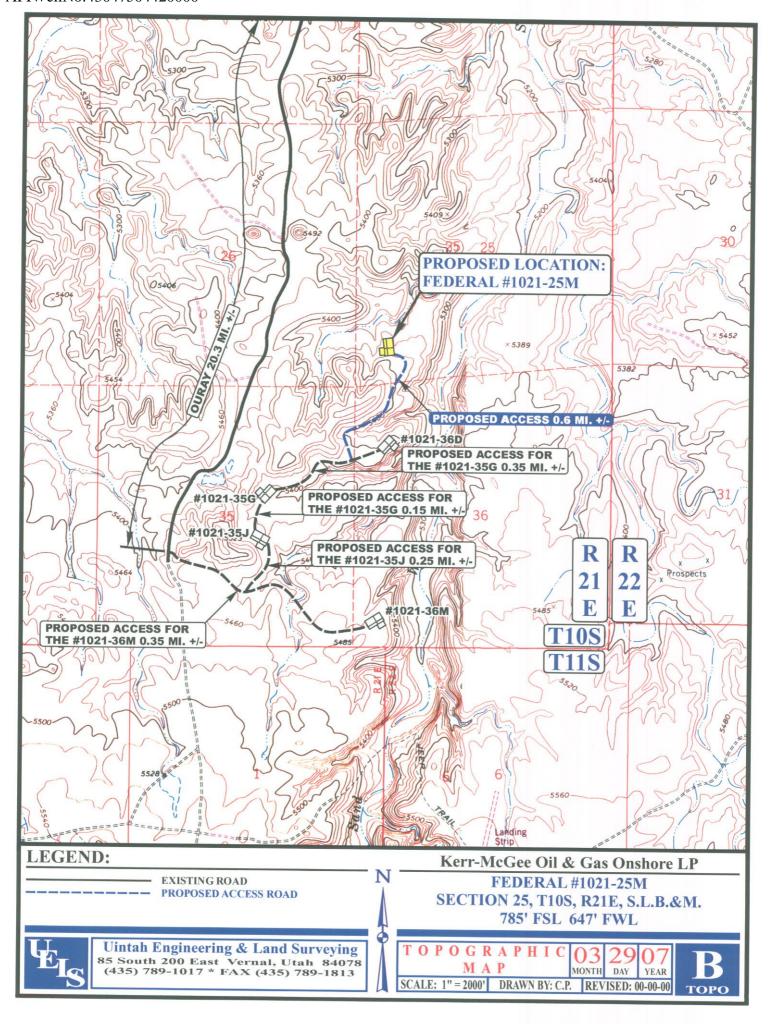


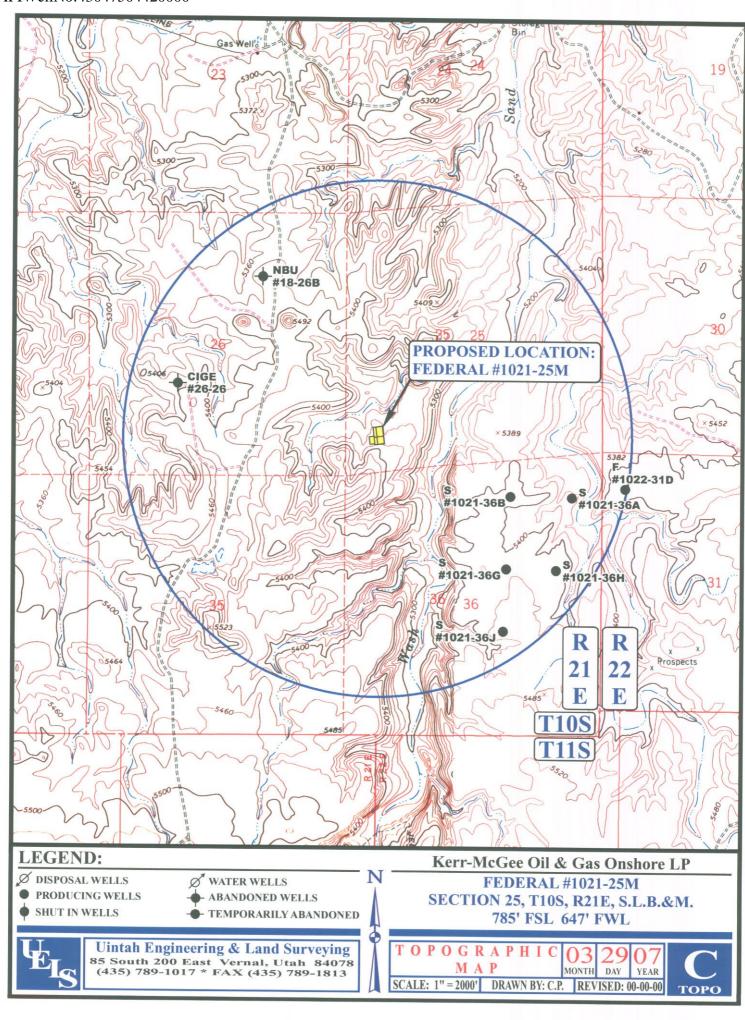
SCHEMATIC DIAGRAM OF 5,000 PSI BOP STACK

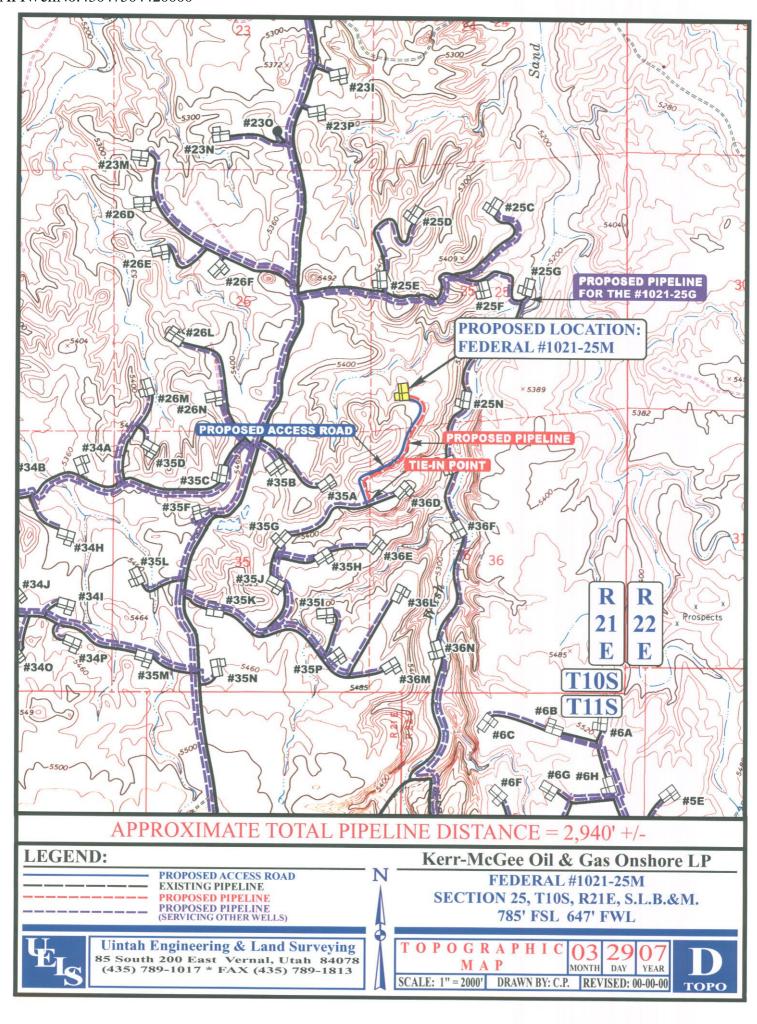












Kerr-McGee Oil & Gas Onshore LP

FEDERAL #1021-25M
PIPELINE ALIGNMENT

LOCATED IN UINTAH COUNTY, UTAH SECTION 25, T10S, R21E, S.L.B.&M.

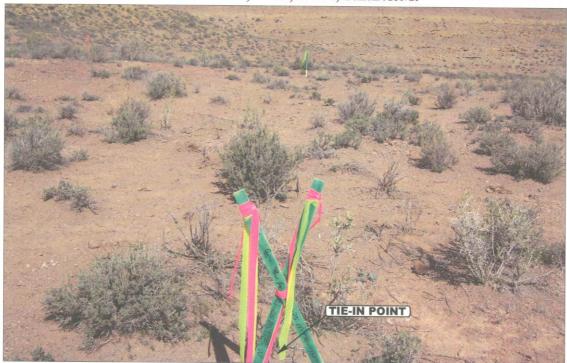


PHOTO: VIEW FROM TIE-IN POINT

CAMERA ANGLE: NORTHERLY



PHOTO: VIEW OF PIPELINE ALIGNMENT

CAMERA ANGLE: SOUTHWESTERLY



Uintah Engineering & Land Surveying 5 South 200 East Vernal, Utah 84078 435-789-1017 uels@uelsinc.com

PIPELINE PHOTOS

MONTH DAY

TAKEN BY: J.W. DRAWN BY: C.P. REVISED: 00-00-00

PHOTO

Kerr-McGee Oil & Gas Onshore LP

FEDERAL #1021-25M

LOCATED IN UINTAH COUNTY, UTAH SECTION 25, T10S, R21E, S.L.B.&M.

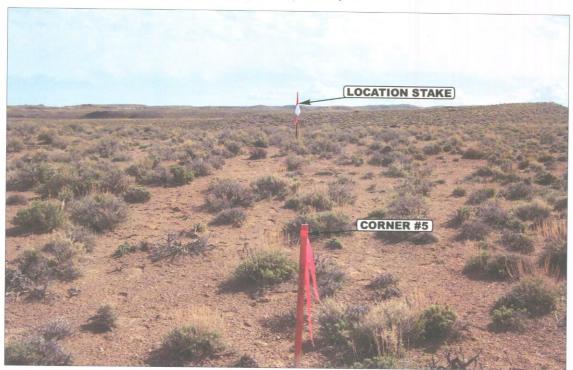


PHOTO: VIEW FROM CORNER #5 TO LOCATION STAKE

CAMERA ANGLE: EASTERLY



PHOTO: VIEW FROM BEGINNING OF PROPOSED ACCESS

CAMERA ANGLE: NORTHERLY



Uintah Engineering & Land Surveying 85 South 200 East Vernal, Utah 84078 435-789-1017 uels@uelsinc.com

LOCATION PHOTOS

MONTH DAY

TAKEN BY: J.W. | DRAWN BY: C.P. | REVISED: 00-00-00

РНОТО

Kerr-McGee Oil & Gas Onshore LP

FEDERAL #1021-25M SECTION 25, T10S, R21E, S.L.B.&M.

PROCEED IN A WESTERLY DIRECTION FROM VERNAL, UTAH ALONG U.S. HIGHWAY 40 APPROXIMATELY 14.0 MILES TO THE JUNCTION OF STATE HIGHWAY 88; TURN LEFT AND PROCEED IN A SOUTHERLY DIRECTION APPROXIMATELY 17.0 MILES TO OURAY, UTAH; PROCEED IN A SOUTHERLY DIRECTION APPROXIMATELY 11.2 MILES ON THE SEEP RIDGE ROAD TO THE JUNCTION OF THIS ROAD AND AN EXISTING ROAD TO THE EAST; TURN LEFT AND PROCEED IN AN EASTERLY, THEN SOUTHEASTERLY DIRECTION APPROXIMATELY 6.6 MILES TO THE JUNCTION OF THIS ROAD AND AN EXISTING ROAD TO THE SOUTH; TURN RIGHT AND PROCEED IN A SOUTHERLY DIRECTION APPROXIMATELY 2.5 MILES TO THE BEGINNING OF THE PROPOSED ACCESS FOR THE #1021-36M TO THE SOUTHEAST; FOLLOW ROAD FLAGS IN A SOUTHEASTERLY DIRECTION APPROXIMATELY 0.35 MILES TO BEGINNING OF THE PROPOSED ACCESS FOR THE #1021-35J TO THE NORTHEAST; FOLLOW ROAD FLAGS IN A NORTHEASTERLY DIRECTION APPROXIMATELY 0.25 MILES TO THE PROPOSED #1021-35J AND THE BEGINNING OF THE PROPOSED ACCESS FOR THE #1021-35G TO THE NORTH: FOLLOW ROAD FLAGS IN A NORTHERLY DIRECTION APPROXIMATELY 0.15 MILES TO THE PROPOSED #1021-35G AND THE BEGINNING OF THE PROPOSED ACCESS FOR THE #1021-36D TO THE EAST; FOLLOW ROAD FLAGS IN AN EASTERLY DIRECTION APPROXIMATELY 0.35 MILES TO THE BEGINNING OF THE PROPOSED ACCESS TO THE NORTH; FOLLOW ROAD FLAGS IN A NORTHERLY, THEN NORTHEASTERLY DIRECTION APPROXIMATELY 0.6 MILES TO PROPOSED LOCATION.

TOTAL DISTANCE FROM VERNAL, UTAH TO THE PROPOSED WELL LOCATION IS APPROXIMATELY 53.0 MILES.

Federal 1021-25M

Surface: 785' FSL, 647' FWL (SW/4SW/4) Sec. 25 T10S R21E

> Uintah, Utah Mineral Lease: UTU 02277C

ONSHORE ORDER NO. 1

MULTI-POINT SURFACE USE & OPERATIONS PLAN

An APD for this location was originally approved on August 27, 2007 and was given API 43-047-39576. Kerr-McGee Oil & Gas Onshore, LP rescinded the APD for this location, however Kerr-McGee respectfully requests a new APD for this location due to a revised drilling schedule in this area. A Cultural Resource report (report number MOAC 06-679) and a Paleo Report (report number IPC 07-78) were submitted and reviewed with the original APD.

This Application for Permit to Drill (APD) is filed under the Notice of Staking (NOS) process as stated in Onshore Order No. 1 (OSO #1) and supporting Bureau of Land Management (BLM) documents. An NOS was submitted on April 3, 2007 showing the surface locations in SW/4 SW/4 of Section 25 T10S R21E.

An on-site meeting for this surface location was held on June 28, 2007.

1. <u>Existing Roads</u>:

Refer to Topo Map A for directions to the location.

Refer to Topo Maps A and B for location of access roads within a 2-mile radius.

Refer to Topo Maps A and B for location of access roads within a 2 mile radius.

All existing roads will be maintained and kept in good repair during all drilling and completion operations associated with this well.

2. Planned Access Roads:

Approximately ± 0.6 mi. ($\pm 3,168$ ') of new access road is proposed. Please refer to the attached Topo Map B.

The upgraded and new portions of the access road will be crowned and ditched with a running surface of 18 feet and a maximum disturbed width of 30 feet. Appropriate water control will be installed to control erosion.

Existence of pipelines; maximum grade; turnouts; major cut and fills, culverts, or bridges; gates, cattle guards, fence cuts, or modifications to existing facilities were determined at the on-site.

Federal 1021-25M

The access road was centerline flagged during time of staking.

Surfacing material may be necessary, depending upon weather conditions.

Surface disturbance and vehicular traffic will be limited to the approved location and approved access route. Any additional area needed will be approved in advance.

3. Location of Existing Wells Within a 1-Mile Radius:

Please refer to Topo Map C.

4. <u>Location of Existing & Proposed Facilities:</u>

The following guidelines will apply if the well is productive.

All production facilities will be located on the disturbed portion of the well pad and at a minimum of 25 feet from the toe of the back slope or the top of the fill slope.

A dike will be constructed completely around those production facilities which contain fluids (i.e., production tanks, produced water tanks, and/or heater/treater). These dikes will be constructed of compacted subsoil, be impervious, hold 100% of the capacity of the largest tank, and be independent of the back cut.

All permanent (on-site six months or longer) above the ground structures constructed or installed, including pumping units, will be painted a flat, non-reflective, earthtone color to match one of the standard environmental colors, as determined by the five state Rocky Mountain Inter-Agency Committee.

All facilities will be painted within six months of installation. Facilities required to comply with the Occupational Safety and Health Act (OSHA) will be excluded. The required color is Shadow Gray, a non-reflective earthtone.

Any necessary pits will be properly fenced to protect livestock and prevent wildlife entry.

Approximately $\pm 2,940$ ° of proposed pipeline will be installed. Refer to Topo D for the proposed pipeline.

5. Location and Type of Water Supply:

Water for drilling purposes will be obtained from Dalbo Inc.'s underground well located in Ouray, Utah, Sec. 32 T4S R3E, Water User Claim #43-8496, Application #53617.

Water will be hauled to location over the roads marked on Maps A and B.

No water well is to be drilled on this lease.

6. Source of Construction Materials:

Surface and subsoil materials in the immediate area will be utilized.

Any gravel will be obtained from a commercial source.

7. <u>Methods of Handling Waste Materials</u>:

Drill cuttings will be contained and buried in the reserve pit.

Drilling fluids, including salts and chemicals, will be contained in the reserve pit. Upon termination of drilling and completion operations, the liquid contents of the reserve pit will be removed and disposed of at an approved waste disposal facility within 120 days after drilling is terminated.

The reserve pit will be constructed on the location and will not be located within natural drainage, where a flood hazard exists or surface runoff will destroy or damage the pit walls. The reserve pit will be constructed so that it will not leak, break, or allow discharge of liquids.

A plastic reinforced liner and felt will be used; it will be a minimum of 20 mil thick, with sufficient bedding used to cover any rocks. The liner will overlap the pit walls and be covered with dirt and/or rocks to hold it in place. No trash or scrap that could puncture the liner will be disposed of in the pit. Any spills of oil, gas, salt water, or other noxious fluids will be immediately cleaned up and removed to an approved disposal site.

A chemical porta-toilet will be furnished with the drilling rig.

Garbage, trash, and other waste materials will be collected in a portable, self-contained, fully enclosed trash cage during operations. No trash will be burned on location.

All debris and other waste material not contained in the trash cage will be cleaned up and removed from the location immediately after removal of the drilling rig.

Any open pits will be fenced during the operations. The fencing will be maintained until such time as the pits are backfilled.

No chemicals subject to reporting under SARA Title III (hazardous materials) in an amount greater than 10,000 pounds will be used, produced, stored, transported, or disposed of annually in association with the drilling of this well. Furthermore, no extremely hazardous substances, as defined in 40 CFR 355, in threshold planning quantities, will be used, produced, stored, transported, or disposed of in association with the drilling of this well.

Any produced water from the proposed well will be contained in a water tank and will then be hauled By truck to one of the pre-approved disposal sites: RNI in Sec. 5 T9S R22E, NBU #159 in Sec. 35 T9S R21E, Ace Oilfield in Sec. 2 T6S R20E, MC&MC in Sec. 12 T6S R19E, Pipeline Facility in Sec. 36 T9S R20E, Goat Pasture Evaporation Pond in SW/4 Sec. 16 T10S R22E, Bonanza Evaporation Pond in Sec. 2 T10S R23E.

8. Ancillary Facilities:

None are anticipated.

Federal 1021-25M

9. Well Site Layout: (See Location Layout Diagram)

The attached Location Layout Diagram describes drill pad cross-sections, cuts and fills, and locations of the mud tanks, reserve pit, flare pit, pipe racks, trailer parking, spoil dirt stockpile(s), and surface material stockpile(s).

Please see the attached diagram to describe rig orientation, parking areas, and access roads.

The reserve pit will be lined, and when the reserve pit is closed, the pit liner will be buried below plow depth.

All pits will be fenced according to the following minimum standards:

39 inch net wire will be used with at least one strand of barbed wire on top of the net wire. Barbed wire is not necessary if pipe or some type of reinforcement rod is attached to the top of the entire fence.

The net wire shall be no more than two inches above the ground. The barbed wire shall be three inches over the net wire. Total height of the fence shall be at least 42 inches.

Corner posts shall be cemented and/or braced in such a manner to keep the fence tight at all times.

Standard steel, wood, or pipe posts shall be used between the corner braces. Maximum distance between any 2 fence posts shall be no greater than 16 feet.

All wire shall be stretched, by using a stretching device, before it is attached to corner posts.

The reserve pit fencing will be on three sides during drilling operations, and on the fourth side when the rig moves off location. Pits will be fenced and maintained until cleanup.

Location size may change prior to the drilling of the well due to current rig availability. If the proposed location is not large enough to accommodate the drilling rig the location will be resurveyed and a Form 9 shall be submitted.

10. Plans for Reclamation of the Surface:

Producing Location:

Immediately upon well completion, the location and surrounding area will be cleared of all unused tubing, materials, trash, and debris not required for production.

Immediately upon well completion, any hydrocarbons in the pit shall be removed in accordance with 43 CFR 3162.7-1.

A plastic, nylon reinforced liner will be used, it shall be torn and perforated before backfilling of the reserve pit.

Federal 1021-25M

Before any dirt work associated with location restoration takes place, the reserve pit shall be as dry as possible. All debris in it will be removed. Other waste and spoil materials will be disposed of immediately upon completion of operations.

The reserve pit and that portion of the location not needed for production facilities/operations will be recontoured to the approximate natural contours. The reserve pit will be reclaimed within 90 days from the date of well completion, weather permitting.

To prevent surface water(s) from standing (ponding) on the reclaimed reserve pit area, final reclamation of the reserve pit will consist of "mounding" the surface three feet above surrounding ground surface to allow the reclaimed pit area to drain effectively.

Upon completion of backfilling, leveling, and recontouring, the stockpiled topsoil will be spread evenly over the reclaimed area(s).

Dry Hole/Abandoned Location:

Abandoned well sites, roads, and other disturbed areas will be restored as near as practical to their original condition. Where applicable, these conditions include the re-establishment of irrigation systems, the re-establishment of appropriate soil conditions, and re-establishment of vegetation as specified.

All disturbed surfaces will be recontoured to the approximate natural contours, with reclamation of the well pad and access road to be performed as soon as practical after final abandonment. Reseeding operations will be performed after completion of other reclamation operations.

11. Surface/Mineral Ownership:

United States of America Bureau of Land Management 170 South 500 East Vernal, UT 84078 (435)781-4400

12. Other Information:

All lease and/or unit operations will be conducted in such a manner that full compliance is made with all applicable laws, regulations, the approved Plan of Operations, and any applicable Notice of Lessees. The Operator is fully responsible for the actions of his subcontractors. A copy of these conditions will be furnished to the field representative to ensure compliance.

The Operator will control noxious weeds along Rights-Of-Way for roads, pipelines, well sites, or other applicable facilities.

A Paleontological survey report and a Cultural Resource report was submitted with the original APD for this location.

'APIWellNo:43047504420000'

13. Lessee's or Operators' Representative & Certification:

Kathy Schneebeck Dulnoan Regulatory Analyst Kerr-McGee Oil & Gas Onshore LP PO Box 173779 Denver, CO 80217-3779 (720) 929-6007 Tommy Thompson General Manager, Drilling Kerr-McGee Oil & Gas Onshore LP PO Box 173779 Denver, CO 80217-3779 (720-929-6724

Certification: All lease and/or unit operations will be conducted in such a manner that full compliance is made with all applicable laws, regulations, Onshore Oil and Gas Orders, the approved Plan of Operations, and any applicable Notice to Lessees.

The Operator will be fully responsible for the actions of its subcontractors. A complete copy of the approved "Application for Permit to Drill" will be furnished to the field representative(s) to ensure compliance and shall be on location during all construction and drilling operations.

Kerr-McGee Oil & Gas Onshore LP is considered to be the operator of the subject well. Kerr-McGee Oil & Gas Onshore LP agrees to be responsible under terms and conditions of the lease for the operations conducted upon leased lands.

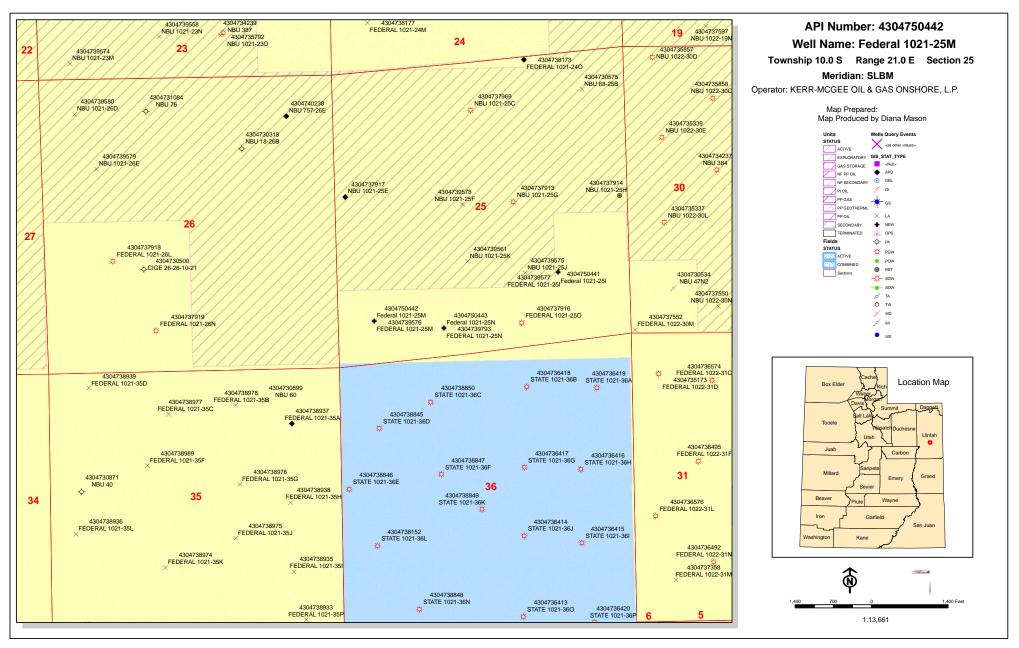
Bond coverage pursuant to 43 CFR 3104 for lease activities is being provided by Bureau of Land Management Nationwide Bond WYB000291.

I hereby certify that I, or persons under my supervision, have inspected the proposed drill site and access route, that I am familiar with the conditions that currently exist; that I have full knowledge of the State and Federal laws applicable to this operation; that the statements made in this plan are, to the best of my knowledge, true and correct; and the work associated with the operations proposed herein will be performed in conformity with this APD package and the terms and conditions under which it is approved. I also certify that I, or the company I represent, am responsible for operations conducted under this application. These statements are subject to the provisions of 18 U.S.C. 1001 for the filing of false statements.

Danielle Piernot

May 21, 2009

Date

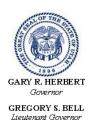


WORKSHEET APPLICATION FOR PERMIT TO DRILL

APD RECEIVED:	5/21/2009			API NO. ASSIGNED:	43047504420000
WELL NAME:	Federal 1021-25M				
OPERATOR:	KERR-MCGEE OIL & 0	GAS C	ONSHORE, L.P. (N2995)	PHONE NUMBER:	720 929-6156
CONTACT:	Danielle Piernot				
PROPOSED LOCATION:	SWSW 25 100S 210E	E		Permit Tech Review:	
SURFACE:	0785 FSL 0647 FWL			Engineering Review:	
воттом:	0785 FSL 0647 FWL			Geology Review:	<u>r</u>
COUNTY:	UINTAH				
LATITUDE:				LONGITUDE:	-109.50590
UTM SURF EASTINGS:	627703.00			NORTHINGS:	4419015.00
FIELD NAME:	NATURAL BUTTES				
LEASE TYPE:	1 - Federal				
LEASE NUMBER:	UTU 02277C	PRO	POSED PRODUCING F	FORMATION(S): WASATCH-MI	ESA VERDE
SURFACE OWNER:	1 - Federal			COALBED METHANE:	NO
RECEIVED AND/OR REVIE	·WFD:	LOCA	ATION AND SITING:		
₽ PLAT			R649-2-3.		
▶ Bond: FEDERAL - WYB	000291	U	nit:		
Potash			R649-3-2. General		
☑ Oil Shale 190-5					
Oil Shale 190-3			R649-3-3. Exception		
Oil Shale 190-13			Drilling Unit		
✓ Water Permit: Permit	#43-8496		Board Cause No: Ca	ause 173-24	
RDCC Review:			Effective Date: 10/5	5/2009	
Fee Surface Agreeme	ent		Siting: 460' Fr Ext. U	J Boundary & uncommitted Trad	ct
✓ Intent to Commingle			R649-3-11. Direction	al Drill	
Commingling Approved	t				
Comments: Presite C	ompleted				
Stipulations: 3 - Com	mingling - ddoucet				

3 - Commingling - ddoucet 4 - Federal Approval - dmason 17 - Oil Shale 190-5(b) - dmason 23 - Spacing - dmason

API Well No: 43047504420000



State of Utah

DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

Permit To Drill

Well Name: Federal 1021-25M
API Well Number: 43047504420000
Lease Number: UTU 02277C
Surface Owner: FEDERAL

Approval Date: 2/17/2010

Issued to:

KERR-MCGEE OIL & GAS ONSHORE, L.P., P.O. Box 173779, Denver, CO 80217

Authority:

Pursuant to Utah Code Ann. §40-6-1 et seq., and Utah Administrative Code R649-3-1 et seq., the Utah Division of Oil, Gas and Mining issues conditions of approval, and permit to drill the listed well. This permit is issued in accordance with the requirements of Cause 173-24. The expected producing formation or pool is the WASATCH-MESA VERDE Formation(s), completion into any other zones will require filing a Sundry Notice (Form 9). Completion and commingling of more than one pool will require approval in accordance with R649-3-22.

Duration:

This approval shall expire one year from the above date unless substantial and continuous operation is underway, or a request for extension is made prior to the expiration date

Commingle:

In accordance with Board Cause No. 210-05, commingling of the production from the Wasatch formation and the Mesaverde formation in this well is allowed.

General:

Compliance with the requirements of Utah Admin. R. 649-1 et seq., the Oil and Gas Conservation General Rules, and the applicable terms and provisions of the approved Application for permit to drill.

Conditions of Approval:

State approval of this well does not supercede the required federal approval, which must be obtained prior to drilling.

In accordance with the Order in Cause No. 190-5(b) dated October 28, 1982, the operator shall comply with the requirements of Rules R649-3-31 and R649-3-27 pertaining to Designated Oil Shale Areas. Additionally, the operators shall ensure that the surface and or production casing is properly cemented over the entire oil shale section as defined by Rule R649-3-31. The Operator shall report the actual depth the oil shale is encountered to the division.

This proposed well is located in an area for which drilling units (well spacing patterns) have not been established through an order of the Board of Oil, Gas and Mining (the "Board"). In order to avoid the possibility of waste or injury to correlative rights, the operator is requested, once the well has been drilled, completed, and has produced, to analyze geological and engineering data generated therefrom, as well as any similar data from surrounding areas if available. As soon as is practicable

API Well No: 43047504420000

after completion of its analysis, and if the analysis suggests an area larger than the quarter-quarter section upon which the well is located is being drained, the operator is requested to seek an appropriate order from the Board establishing drilling and spacing units in conformance with such analysis by filing a Request for Agency Action with the Board.

Notification Requirements:

The operator is required to notify the Division of Oil, Gas and Mining of the following actions during drilling of this well:

• Within 24 hours following the spudding of the well – contact Carol Daniels at 801-538-5284 (please leave a voicemail message if not available)

OR

submit an electronic sundry notice (pre-registration required) via the Utah Oil & Gas website at https://oilgas.ogm.utah.gov

Reporting Requirements:

All reports, forms and submittals as required by the Utah Oil and Gas Conservation General Rules will be promptly filed with the Division of Oil, Gas and Mining, including but not limited to:

- Entity Action Form (Form 6) due within 5 days of spudding the well
- Monthly Status Report (Form 9) due by 5th day of the following calendar month
- Requests to Change Plans (Form 9) due prior to implementation
- Written Notice of Emergency Changes (Form 9) due within 5 days
- Notice of Operations Suspension or Resumption (Form 9) due prior to implementation
- Report of Water Encountered (Form 7) due within 30 days after completion
- Well Completion Report (Form 8) due within 30 days after completion or plugging

Approved By:

Gil Hunt

Associate Director, Oil & Gas

Die Hunt

RECEIVED VERNAL FIGLO OFFICE

Form 3160-3 (August 1999)

2007 AUG 16 PH 4: 04

FORM APPROVED OMB No. 1004-0136

Expires November 30, 2000

UNITED STATES

DEPARTMENT OF THE INTERIOR

BUREAU OF LANI	UTU-02277-C				
APPLICATION FOR PERMI	T TO DRILL O	R REENTER	R , , , , , , , , , , , , , , , , , , ,	6. If Indian, Allottee or	Tribe Name
1a. Type of Work: X DRILL	7. If Unit or CA Agree	ment, Name and No.			
b. Type of Well: Oil Well 🗶 Gas Well Ot	8. Lease Name and We FEDERAL 102				
2. Name of Operator KERR McGEE OIL & GAS ONSHORE LP				9. API Well No. 43 047 5	0442
3A. Address 1368 SOUTH 1200 EAST VERNAL, UT 84078		No. (include area 1-7024	code)	10. Field and Pool, or E	xploratory
4. Location of Well (Report location clearly and in accordance At surface SW/SW 785'FSL, 647'FWL				11. Sec., T., R., M., or I	31k, and Survey or Area
At proposed prod. Zone 14. Distance in miles and direction from nearest town or post of the second production of the second proposed production from nearest town or post of the second production from nearest t	office*			SEC. 25, T10S, R2 12. County or Parish UINTAH	13. State UTAH
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any)	16. No. of A	Acres in lease	17. Spacing Unit of 40.00	dedicated to this well	
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. REFER TO TOPO C 19. Proposed Depth 8810' 20. BLM/BIA Bond No. on file BOND NO. WYB000291					
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 5371'GL	22. Approx	imate date work	vill start*	23. Estimated duration	
	24. /	Attachments			
The following, completed in accordance with the requirements	of Onshore Oil and	Gas Order No. 1,	shall be attached to th	is form:	
 Well plat certified by a registered surveyor. A Drilling Plan. A Surface Use Plan (if the location is on National Forest Sys SUPO shall be filed with the appropriate Forest Service Office. 	•	Item 20 a 5. Operator	bove). certification. r site specific informat	inless covered by an existing	
25. Signaphre Will Millelle		me (Printed/Type	.*	Dat	te 8/14/2007
SENIOR LAND ADMIN SPECIALIST					
Approved by Signature)	Nar	ne (Printed/Type	es H. Sp	parger	APR 2 2 2010
ACTING ASSISTANT FIELD Manager Lands & Mineral Resources	Offi		RNAL FIELD		
Application approval does not warrant or certify that the applica	ant holds legal or eq	uitable title to the	se rights in the subjec	t lease which would entitle th	e applicant to conduct

operations thereon.

Conditions of approval, if any, are attached.

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

*(Instructions on reverse)

RECEIVED

JUN 1 0 2010

DIV. OF OIL, GAS & MINING

NOS 6/27/07

07 PP 2320A NOTICE OF APPROVAL



UNITED STATES DEPARTMENT OF THE INTERIOR BUREAU OF LAND MANAGEMENT VERNAL FIELD OFFICE

VERNAL, UT 84078

(435) 781-4400



CONDITIONS OF APPROVAL FOR APPLICATION FOR PERMIT TO DRILL

Company: Well No:

API No:

Kerr McGee Oil & Gas Onshore LP

170 South 500 East

Federal 1021-25M

43-047-50442

Location: Lease No: SWSW, Sec.25, T10S R21E

UTU-02277-C

Agreement: N

N/A

OFFICE NUMBER:

(435) 781-4400

OFFICE FAX NUMBER:

(435) 781-3420

A COPY OF THESE CONDITIONS SHALL BE FURNISHED TO YOUR FIELD REPRESENTATIVE TO INSURE COMPLIANCE

All lease and/or unit operations are to be conducted in such a manner that full compliance is made with the applicable laws, regulations (43 CFR Part 3160), and this approved Application for Permit to Drill including Surface and Downhole Conditions of Approval. The operator is considered fully responsible for the actions of his subcontractors. A copy of the approved APD must be on location during construction, drilling, and completion operations. This permit is approved for a two (2) year period, or until lease expiration, whichever occurs first. An additional extension, up to two (2) years, may be applied for by sundry notice prior to expiration.

NOTIFICATION REQUIREMENTS

Location Construction (Notify Environmental Scientist)	-	Forty-Eight (48) hours prior to construction of location and access roads.
Location Completion (Notify Environmental Scientist)	-	Prior to moving on the drilling rig.
Spud Notice (Notify Petroleum Engineer)	-	Twenty-Four (24) hours prior to spudding the well.
Casing String & Cementing (Notify Supv. Petroleum Tech.)	. -	Twenty-Four (24) hours prior to running casing and cementing all casing strings to: ut vn opreport@blm.gov.
BOP & Related Equipment Tests (Notify Supv. Petroleum Tech.)	-	Twenty-Four (24) hours prior to initiating pressure tests.
First Production Notice (Notify Petroleum Engineer)	-	Within Five (5) business days after new well begins or production resumes after well has been off production for more than ninety (90) days.

Page 2 of 6 Well: Federal 1021-25M 4/7/2010

SURFACE USE PROGRAM CONDITIONS OF APPROVAL (COAs)

- All new and replacement internal combustion gas field engines of less than or equal to 300 designrated horsepower must not emit more than 2 gms of NO_x per horsepower-hour. This requirement does not apply to gas field engines of less than or equal to 40 design-rated horsepower.
- All and replacement internal combustion gas field engines of greater than 300 design rated horsepower must not emit more than 1.0 gms of NO_x per horsepower-hour.
- If there is an active Gilsonite mining operation within 2 miles of the well location, operator shall notify the Gilsonite operator at least 48 hours prior to any blasting during construction.
- If paleontological materials are uncovered during construction, the operator is to immediately stop
 work and contact the Authorized Officer (AO). A determination will be made by the AO as to what
 mitigation may be necessary for the discovered paleontologic material before construction can
 continue.

SITE SPECIFIC CONDITIONS OF APPROVAL

• An Interim Surface Reclamation Plan for surface disturbance on the well pad, access road, and pipeline would be completed. At a minimum, this would include the Best Management Practice of the reshaping of the pad to the original contour to the extent possible; the re-spreading of the top soil up to the rig anchor points; and, reseeding the area using appropriate reclamation methods. The areas of the location not needed for production operations, including portions of the pad and the reserve pits, would have the stock piled top soil spread evenly over the reclaimed surface, and be seeded with the recommended seed mix shown below. If it is determined that this well site would be used as a multi-well site the interim reclamation would be delayed until all wells are constructed at the site.

Interim Reclamation seed mix		
Ephraim crested wheatgrass	Agropyron cristatum v. Epharim	2 lbs. /acre
western wheatgrass	Agropyron smithii	2 lbs. /acre
scarlet globemallow	Spaeralcea coccinea	1 lbs. /acre
shadscale	Atriplex confertifolia	2 lbs. /acre
fourwing saltbush	Atriplex canescens	3 lbs. /acre

Following well plugging and abandonment, the location, access roads, pipelines, and other facilities shall be reclaimed. All disturbed surfaces shall be reshaped to approximate the original contour; the top soil re-spread over the surface; and, the surface re-vegetated. The surface of approved staging areas where construction activities did not occur may require disking or ripping and reseeding.

- Avoid the register eligible site, 42UN5664. For the construction of the well pad a qualified monitor will be required. The site will need to be flagged and monitored prior to construction and during construction. Following construction the flags will be removed.
- The operator will control noxious weeds along the well pad, access road, and the pipeline route by spraying or mechanical removal. On BLM administered land, a Pesticide Use Proposal (PUP) will be submitted and approved prior to the application of herbicides or pesticides or possibly hazardous chemicals.

Page 3 of 6 Well: Federal 1021-25M

DOWNHOLE PROGRAM CONDITIONS OF APPROVAL (COAs)

SITE SPECIFIC DOWNHOLE COAs:

- Production casing cement shall be brought up and into the surface casing. Production casing minimum cement top is 1000 ft. The minimum cement top is approximately 800 ft above the surface casing shoe.
- Cement Top (TOC) standard will place cement behind casing across formation lost circulation zone, Birds Nest Zone.
- COA specification fulfills operators performance standard stated in APD (where operators toc is calc'd with an excess to reach surface).

All provisions outlined in Onshore Oil & Gas Order #2 Drilling Operations shall be strictly adhered to. The following items are emphasized:

DRILLING/COMPLETION/PRODUCING OPERATING STANDARDS

- The spud date and time shall be reported orally to Vernal Field Office within 24 hours of spudding.
- Notify Vernal Field Office Supervisory Petroleum Engineering Technician at least 24 hours in advance of casing cementing operations and BOPE & casing pressure tests.
- All requirements listed in Onshore Order #2 III. E. Special Drilling Operations are applicable for air drilling of surface hole.
- Blowout prevention equipment (BOPE) shall remain in use until the well is completed or abandoned. Closing unit controls shall remain unobstructed and readily accessible at all times. Choke manifolds shall be located outside of the rig substructure.
- All BOPE components shall be inspected daily and those inspections shall be recorded in the daily
 drilling report. Components shall be operated and tested as required by Onshore Oil & Gas Order
 No. 2 to insure good mechanical working order. All BOPE pressure tests shall be performed by a
 test pump with a chart recorder and <u>NOT</u> by the rig pumps. Test shall be reported in the driller's
 log.
- BOP drills shall be initially conducted by each drilling crew within 24 hours of drilling out from under the surface casing and weekly thereafter as specified in Onshore Oil & Gas Order No. 2.
- Casing pressure tests are required before drilling out from under all casing strings set and cemented in place.
- No aggressive/fresh hard-banded drill pipe shall be used within casing.
- Cement baskets shall not be run on surface casing.
- The operator must report all shows of water or water-bearing sands to the BLM. If flowing water is encountered it must be sampled, analyzed, and a copy of the analyses submitted to the BLM Vernal Field Office.

Page 4 of 6 Well: Federal 1021-25M 4/7/2010

- The operator must report encounters of all non oil & gas mineral resources (such as Gilsonite, tar sands, oil shale, trona, etc.) to the Vernal Field Office, in writing, within 5 working days of each encounter. Each report shall include the well name/number, well location, date and depth (from KB or GL) of encounter, vertical footage of the encounter and, the name of the person making the report (along with a telephone number) should the BLM need to obtain additional information.
- A complete set of angular deviation and directional surveys of a directional well will be submitted to the Vernal BLM office engineer within 30 days of the completion of the well.
- While actively drilling, chronologic drilling progress reports shall be filed directly with the BLM,
 Vernal Field Office on a weekly basis in sundry, letter format or e-mail to the Petroleum Engineers until the well is completed.
- A cement bond log (CBL) will be run from the production casing shoe to the top of cement and shall be utilized to determine the bond quality for the production casing. Submit a field copy of the CBL to this office.
- Please submit an electronic copy of all other logs run on this well in LAS format to UT_VN_Welllogs@BLM.gov. This submission will supersede the requirement for submittal of paper logs to the BLM.
- There shall be no deviation from the proposed drilling, completion, and/or workover program as approved. Safe drilling and operating practices must be observed. Any changes in operation must have prior approval from the BLM Vernal Field Office.

OPERATING REQUIREMENT REMINDERS:

- All wells, whether drilling, producing, suspended, or abandoned, shall be identified in accordance with 43 CFR 3162.6. There shall be a sign or marker with the name of the operator, lease serial number, well number, and surveyed description of the well.
- In accordance with 43 CFR 3162.4-3, this well shall be reported on the "Monthly Report of Operations" (Oil and Gas Operations Report ((OGOR)) starting with the month in which operations commence and continue each month until the well is physically plugged and abandoned. This report shall be filed in duplicate, directly with the Minerals Management Service, P.O. Box 17110, Denver, Colorado 80217-0110, or call 1-800-525-7922 (303) 231-3650 for reporting information.
- Should the well be successfully completed for production, the BLM Vernal Field office must be
 notified when it is placed in a producing status. Such notification will be by written communication
 and must be received in this office by not later than the fifth business day following the date on
 which the well is placed on production. The notification shall provide, as a minimum, the following
 informational items:
 - o Operator name, address, and telephone number.
 - Well name and number.
 - Well location (¼¼, Sec., Twn, Rng, and P.M.).
 - Date well was placed in a producing status (date of first production for which royalty will be paid).
 - o The nature of the well's production, (i.e., crude oil, or crude oil and casing head gas, or natural gas and entrained liquid hydrocarbons).
 - o The Federal or Indian lease prefix and number on which the well is located; otherwise the non-Federal or non-Indian land category, i.e., State or private.
 - Unit agreement and/or participating area name and number, if applicable.
 - Communitization agreement number, if applicable.
- Any venting or flaring of gas shall be done in accordance with Notice to Lessees (NTL) 4A and needs prior approval from the BLM Vernal Field Office.
- All undesirable events (fires, accidents, blowouts, spills, discharges) as specified in NTL 3A will be reported to the BLM, Vernal Field Office. Major events, as defined in NTL3A, shall be reported verbally within 24 hours, followed by a written report within 15 days. "Other than Major Events" will be reported in writing within 15 days. "Minor Events" will be reported on the Monthly Report of Operations and Production.
- Whether the well is completed as a dry hole or as a producer, "Well Completion and Recompletion Report and Log" (BLM Form 3160-4) shall be submitted not later than 30 days after completion of the well or after completion of operations being performed, in accordance with 43 CFR 3162.4-1. Two copies of all logs run, core descriptions, and all other surveys or data obtained and compiled during the drilling, workover, and/or completion operations, shall be filed on BLM Form 3160-4.

Page 6 of 6 Well: Federal 1021-25M 4/7/2010

Submit with the well completion report a geologic report including, at a minimum, formation tops, and a summary and conclusions. Also include deviation surveys, sample descriptions, strip logs, core data, drill stem test data, and results of production tests if performed. Samples (cuttings, fluid, and/or gas) shall be submitted only when requested by the BLM, Vernal Field Office.

- All off-lease storage, off-lease measurement, or commingling on-lease or off-lease, shall have prior written approval from the BLM Vernal Field Office.
- Oil and gas meters shall be calibrated in place prior to any deliveries. The BLM Vernal Field Office
 Petroleum Engineers will be provided with a date and time for the initial meter calibration and all
 future meter proving schedules. A copy of the meter calibration reports shall be submitted to the
 BLM Vernal Field Office. All measurement facilities will conform to the API standards for liquid
 hydrocarbons and the AGA standards for natural gas measurement. All measurement points shall
 be identified as the point of sale or allocation for royalty purposes.
- A schematic facilities diagram as required by Onshore Oil & Gas Order No. 3 shall be submitted to the BLM Vernal Field Office within 30 days of installation or first production, whichever occurs first. All site security regulations as specified in Onshore Oil & Gas Order No. 3 shall be adhered to. All product lines entering and leaving hydrocarbon storage tanks will be effectively sealed in accordance with Onshore Oil & Gas Order No. 3.
- Any additional construction, reconstruction, or alterations of facilities, including roads, gathering
 lines, batteries, etc., which will result in the disturbance of new ground, shall require the filing of a
 suitable plan and need prior approval of the BLM Vernal Field Office. Emergency approval may be
 obtained orally, but such approval does not waive the written report requirement.
- No location shall be constructed or moved, no well shall be plugged, and no drilling or workover
 equipment shall be removed from a well to be placed in a suspended status without prior approval
 of the BLM Vernal Field Office. If operations are to be suspended for more than 30 days, prior
 approval of the BLM Vernal Field Office shall be obtained and notification given before resumption
 of operations.
- Pursuant to Onshore Oil & Gas Order No. 7, this is authorization for pit disposal of water produced from this well for a period of 90 days from the date of initial production. A permanent disposal method must be approved by this office and in operation prior to the end of this 90-day period. In order to meet this deadline, an application for the proposed permanent disposal method shall be submitted along with any necessary water analyses, as soon as possible, but no later than 45 days after the date of first production. Any method of disposal which has not been approved prior to the end of the authorized 90-day period will be considered as an Incident of Noncompliance and will be grounds for issuing a shut-in order until an acceptable manner for disposing of said water is provided and approved by this office.
- Unless the plugging is to take place immediately upon receipt of oral approval, the Field Office Petroleum Engineers must be notified at least 24 hours in advance of the plugging of the well, in order that a representative may witness plugging operations. If a well is suspended or abandoned, all pits must be fenced immediately until they are backfilled. The "Subsequent Report of Abandonment" (Form BLM 3160-5) must be submitted within 30 days after the actual plugging of the well bore, showing location of plugs, amount of cement in each, and amount of casing left in hole, and the current status of the surface restoration.

SUNDF Do not use this form for proposition bottom-hole depth, reenter plu DRILL form for such proposals. 1. TYPE OF WELL Gas Well 2. NAME OF OPERATOR: KERR-MCGEE OIL & GAS ONS 3. ADDRESS OF OPERATOR: P.O. Box 173779 1099 18th S 4. LOCATION OF WELL FOOTAGES AT SURFACE: 0785 FSL 0647 FWL QTR/QTR, SECTION, TOWNSHI	5.LEASE DESIGNATION AND SERIAL NUMBER: UTU 02277C 6. IF INDIAN, ALLOTTEE OR TRIBE NAME: 7.UNIT OF CA AGREEMENT NAME: 8. WELL NAME and NUMBER: FEDERAL 1021-25M 9. API NUMBER: 43047504420000 9. FIELD and POOL OF WILDCAT: NATURAL BUTTES COUNTY: UINTAH STATE:		
11.	5 Township: 10.0S Range: 21.0E Meridian: S		UTAH
CHE	CK APPROPRIATE BOXES TO INDICATE N	NATURE OF NOTICE, REPORT,	OR OTHER DATA
TYPE OF SUBMISSION		TYPE OF ACTION	
NOTICE OF INTENT Approximate date work will start: 2/17/2011 SUBSEQUENT REPORT Date of Work Completion: SPUD REPORT Date of Spud:	ACIDIZE CHANGE TO PREVIOUS PLANS CHANGE WELL STATUS DEEPEN OPERATOR CHANGE PRODUCTION START OR RESUME REPERFORATE CURRENT FORMATION TUBING REPAIR WATER SHUTOFF	ALTER CASING CHANGE TUBING COMMINGLE PRODUCING FORMATIONS FRACTURE TREAT PLUG AND ABANDON RECLAMATION OF WELL SITE SIDETRACK TO REPAIR WELL VENT OR FLARE SI TA STATUS EXTENSION	CASING REPAIR CHANGE WELL NAME CONVERT WELL TYPE NEW CONSTRUCTION PLUG BACK RECOMPLETE DIFFERENT FORMATION TEMPORARY ABANDON WATER DISPOSAL ✓ APD EXTENSION
	□ WILDCAT WELL DETERMINATION □	OTHER	OTHER:
Kerr-McGee Oil & G extension to this A undersigned	MPLETED OPERATIONS. Clearly show all pertine as Onshore, L.P. (Kerr-McGee) roughly for the maximum time allowed with any questions and/or comm	espectfully requests an ed. Please contact the nents. Thank you. Date of the nents	Approved by the Utah Division of Oil, Gas and Mining ate: 02/09/2011 y:
NAME (PLEASE PRINT) Danielle Piernot	PHONE NUMBER 720 929-6156	TITLE Regulatory Analyst	
SIGNATURE N/A		DATE 2/8/2011	



The Utah Division of Oil, Gas, and Mining

- State of Utah
- Department of Natural Resources

Electronic Permitting System - Sundry Notices

Request for Permit Extension Validation Well Number 43047504420000

API: 43047504420000 **Well Name:** FEDERAL 1021-25M

Location: 0785 FSL 0647 FWL QTR SWSW SEC 25 TWNP 100S RNG 210E MER S

Company Permit Issued to: KERR-MCGEE OIL & GAS ONSHORE, L.P.

Date Original Permit Issued: 2/17/2010

The undersigned as owner with legal rights to drill on the property as permitted above, hereby verifies that the information as submitted in the previously approved application to drill, remains valid and does not require revision. Following is a checklist of some items related to the application, which should be verified.

lire revision. Following is a checklist of some items related to the application, which should be verified.
 If located on private land, has the ownership changed, if so, has the surface agreement been updated? Yes No
 Have any wells been drilled in the vicinity of the proposed well which would affect the spacing or siting requirements for this location? Yes No
 Has there been any unit or other agreements put in place that could affect the permitting or operation of this proposed well? Yes No
 Have there been any changes to the access route including ownership, or rightof- way, which could affect the proposed location? Yes No
• Has the approved source of water for drilling changed? Yes No
 Have there been any physical changes to the surface location or access route which will require a change in plans from what was discussed at the onsite evaluation? Yes No
• Is bonding still in place, which covers this proposed well? Yes No
Pater 2/9/2011

Signature: Danielle Piernot **Date:** 2/8/2011

Title: Regulatory Analyst Representing: KERR-MCGEE OIL & GAS ONSHORE, L.P.



State of Utah

DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

March 13, 2012

Jenn Hawkins Kerr McGee Oil & Gas Onshore, L.P. 1099 18th Street, Suite 1800 Denver, CO 80202

Re:

APDs Rescinded for Kerr McGee Oil & Gas Onshore, L.P.

Uintah County

Dear Ms. Hawkins:

Enclosed find the list of APDs that you requested to be rescinded. No drilling activity at these locations has been reported to the division. Therefore, approval to drill these wells is hereby rescinded, effective March 7, 2012.

A new APD must be filed with this office for approval <u>prior</u> to the commencement of any future work on the subject location.

If any previously unreported operations have been performed on this well location, it is imperative that you notify the Division immediately.

Sincerely,

Diana Mason

Environmental Scientist

cc:

Well File

Bureau of Land Management, Vernal

SITLA, Ed Bonner



```
APINumber
                Well Name
4304750274
                NBU 727-35E
4304737762
                FEDERAL 920-24G
4304750439
                FEDERAL 1022-15L
4304750440
                FEDERAL 1022-15K
4304750441
                FEDERAL 1021-25I
4304750442
                FEDERAL 1021-25M
4304750443
                FEDERAL 1021-25N
4304738796
                FEDERAL 1022-27K
4304738980
                BITTER CREEK 1122-3N
4304737763
                FEDERAL 920-24H
4304739156
               NBU 1022-240
4304736573
               NBU 1022-23C
4304751040
               NBU 920-22L4CS
4304751041
               NBU 920-22M1BS
               NBU 920-22M4BS
4304751042
4304751051
               NBU 920-23L2DS
4304751052
               NBU 920-23L4BS
4304738921
               NBU 1022-8B-4T
4304739253
               NBU 921-15L
4304738159
               NBU 1022-20B
               NBU 1022-28I
4304738169
4304750464
               NBU 922-33N4S
4304750465
               NBU 922-3304S
4304750466
               NBU 922-33P2S
4304750467
               NBU 922-33P3S
4304738820
               LOVE 1121-18B
4304740189
               NBU 922-35IT
4304738491
               NBU 1022-5H-4
4304750093
               NBU 1022-34F
4304750094
               NBU 1022-35M
4304750095
               NBU 1022-34E
4304750097
               FEDERAL 1022-27M
4304750067
               NBU 921-16F3S
4304750068
               NBU 921-16E4S
4304737103
               FEDERAL 1022-29C
4304750127
               NBU 420-29E
4304739527
               NBU 1021-20F
4304739528
               NBU 1021-20E
4304739530
               NBU 1021-20B
4304738741
               LOVE 1121-7P
4304738742
               LOVE 1121-7L
4304738744
               LOVE 1121-7F
4304738745
               LOVE 1121-7D
4304738747
               LOVE 1121-8P
4304738750
               LOVE 1121-8F
4304738754
               LOVE 1121-15L
4304738755
               LOVE 1121-15N
4304739525
               NBU 1021-20H
4304738795
               NBU 1022-270
4304738807
               NBU 1022-34D
4304738920
               NBU 1022-4E-3
4304737547
               NBU 1022-17P
4304751050
               NBU 920-23L1BS
4304737907
               NBU 1021-3L
```

NBU 1021-3D

4304737908

4304737909	NBU 1021-3H
4304737917	NBU 1021-25E
4304737911	NBU 1021-24C
4304750029	NBU 375-13E
4304750033	NBU 515-25E
4304750034	NBU 673-25E
4304750035	NBU 674-25E
4304737963	NBU 1021-3G
4304737965	NBU 1021-5D
4304737684	NBU 498-13E